

# The NATIONAL UNDERWRITER

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—The National Weekly Newspaper of Life Insurance—

May 31, 1958

## Opinion In Variable Annuity Case Routs

### SEC, Strikes Blow For State Regulation

The U. S. circuit court of appeals decision, reported briefly in last week's issue, affirming the district court's denial of the Securities & Exchange Commission's assertion of authority over the variable annuity business, was accompanied by a comprehensive opinion analyzing the issue and blasting the SEC's arguments for at least partial control over aspects of the business not involving life contingencies—a contention having implications for many other kinds of insurance contracts. The opinion also contained a vigorous statement interpreting the McCarran act as meaning that until Congress decides otherwise it wants the insurance business left to the states to regulate.

Following is the opinion, delivered by Judge Madden of the U. S. court of claims, sitting as a member of the three-judge court of appeals:

Securities & Exchange Commission, (SEC), brought suit in the district court seeking an injunction restraining Variable Annuity Life Ins. of America, Inc., (VALIC), from selling or offering for sale certain contracts or policies unless and until the contracts or policies were registered with SEC in accordance with section 5 of

the securities act of 1933, 48 Stat. 74, 77, 15 U.S.C. §77 (e), and unless VALIC complied with section 7 (a) of the investment company act of 1940, 54 Stat. 789, 802, 15 U.S.C. §80a-7 (a). On their own motions the National Assn. of Securities Dealers, (NASD), and the Equity Annuity Life Ins. Co., (EALIC), intervened on the sides of the plaintiff

and the defendant, respectively.

The district court dismissed the complaint, and the plaintiffs have appealed from that judgment. The original defendant and the intervening defendant sell the same kinds of contracts or policies. Those of VALIC will be discussed in this opinion.

The appellees contend that the contracts which they sell and which are the subject of this controversy are annuity policies and are therefore covered by the law relating to insurance, and not by the law relating to securities. They point to section 3(1) (8) of the securities act of 1933, 15 U.S.C. §77 (c) (a) (8) which says:

"Sec. 3. (a) Except as hereinafter expressly provided, the provisions of this title shall not apply to any of the following classes of securities:

"... (8) Any insurance or endowment...

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### Object To Federal Insurance Proposal For Some Mortgages

WASHINGTON—American Life Convention and Life Insurance Assn. of America have filed a statement with the housing subcommittee of the Senate banking and currency committee objecting to proposed housing legislation providing insurance for the top 20% of certain conventional home loans and making permanent the present requirement that Federal National Mortgage Assn. purchase special assistance mortgages at par.

#### Coupled With 90% Mortgage Plan

The insurance proposal is coupled with a plan for 90% mortgages, which would be ineligible for life company loans in most states, which limit conventional loans to two-thirds of value. Since there is a question whether the proposed insurance would constitute a federal government guarantee, amendments to state laws would be needed, "a time-consuming process." Anyway, the plan requires much further study, the associations say.

The FNMA proposal would place FNMA in an unfair competitive position with private mortgage lenders, the associations contend, especially when the maximum interest rate on government-insured or guaranteed mortgages is fixed at a level below the current market rate.

#### LOMA Institute Swamped By 20,000 Exam Papers

A record number of students in the U. S., Canada and foreign countries took LOMA Institute examinations in May, and turned in 20,000 papers, the largest number in the 26-year history of the institute.

#### OUTGROWTH OF KNOX CASE

### AALU Bulletin Lists Safeguards For Avoiding Suits By 'Misled' Buyers

WASHINGTON—Assn. of Advanced Life Underwriters, which has a special interest in the bank-loan type of case, has issued a bulletin to its members recommending precautions to follow to avoid possible suits based on charges of having misinformed buyers of financed life insurance.

The bulletin is an outgrowth of the Knox case, decided by Federal Judge McLaughlin in Honolulu and reported at length in THE NATIONAL UNDERWRITER of April 5. Roger Knox was awarded \$25,809 against J. Leland Anderson, who sold him and his wife bank-loan insurance totaling \$150,000 by methods that the judge declared detrimental to the buyer.

The AALU bulletin prepared by the association's counsel, Cooper & Silverstein of Washington, D. C., points out that the court emphasized that Mr. Anderson gained Mr. Knox's confidence so he relied on insufficient explanations, presented a plan based on a 40% tax bracket when Mr. Knox was in the 26% bracket, and had no right to rely on the principle of caveat emptor in so complicated a transaction as a bank-financed policy.

The bulletin also notes that it should be clearly understood that the case is subject to appeal in the court of appeals in the ninth circuit (California), and at the moment the case is not conclusive and judgment cannot be executed against the defendant unless and until the time for appeal expires or the holding of the district judge is affirmed or denied. The AALU general counsel consider it unlikely that the U. S. Supreme Court would consent to review the case.

Asked by THE NATIONAL UNDERWRITER whether he recommends precautions

should be followed in sales involving other types of coverage, Leonard L. Silverstein said his firm believes in taking such precautions in any type of complex life insurance sale where the buyer may be relying on the agent as an adviser and lacks the information and precautions as a matter of ethical needed to weigh the pros and cons.

Mr. Silverstein said that regardless of whether Judge McLaughlin's opinion is upheld or not, agents would be well advised to follow the recommended precautions as a matter of ethical conduct.

Following are the law firm's recommendation, as contained in the AALU bulletin:

"1. If asked about this decision by clients, you can advise that a court decision has been rendered in the federal court in Hawaii. Such a decision has no direct bearing, and therefore

(CONTINUED ON PAGE 12)

### Association Group Sidesteps Law, N. Y. State Agents Told

#### Montani Succeeds Desmon As President Of New York State Agent's Association

Joseph N. Desmon, in his presidential address at the York State Assn. of Life Underwriters annual convention at Rochester, declared that sales of association group term insurance are circumventing state laws.

Such plans are clearly not in the public interest, he said. He called on life insurance ranks in all states where association group term plans are being sold to take the responsibility for informing their clients and the public at large of all the facts.

"This challenge is ours," he said, "to understand this subject so well we

#### OFFICERS ELECTED

President—Lewis J. Montani, Metropolitan Life, Pittsburgh.

Vice-president—Harry K. Gutmann, Mutual of New York, New York City.

Secretary-treasurer—Chauncey D. Cowles Jr., Northwestern Mutual, Buffalo.

Regional vice-presidents—John H. Clyne, Phoenix Mutual, Albany; Leo Dunham, Metropolitan Life, Binghamton; Anthony Klug, John Hancock, Rochester; Clayton Knox, Mutual of New York, Buffalo; reelected, Harold A. Loewenheim, Home Life, New York City; Donald E. Shapiro, Canada Life, Syracuse; Donald F. Cheeseman, Security Mutual Life, Malone.

can convince our clients and the public who might be prospects for this coverage that it is not for them—not for their benefit—unless they are uninsurable."

These plans "neatly sidestep the

(CONTINUED ON PAGE 18)



Officers elected at last week's annual meeting of Illinois Assn. of Life Underwriters are shown here with outgoing president J. Kenneth Wyard, John Hancock, Peoria. From left to right are Gerhard C. Krueger, Equitable of Iowa, Chicago, administrative vice-president; Orville M. Thies, Metropolitan, Alton, president; Mr. Wyard; and James T. Kenny, Metropolitan, Springfield, secretary-treasurer. (Story on page 2.)

## MDRT Membership 2,987, 23% Above Last Year's Record

### New Plan Of Classifying Members Proposed; Events For Room-Hopping Given

Membership in the 1958 Million Dollar Round Table has set another new record, with a total of 2,987, an increase of 23% over last year's 2,438. M D R T Chairman William D. Davidson, associate manager of Equitable Society at Chicago, has informed the Round Table members.

Mr. Davidson also gave the details of a proposal for a new set of categories to replace the present qualifying and life, repeating; life; qualifying and life, first time; qualifying, repeating; and qualifying first time. The proposal will be considered at the annual meeting at Banff Springs hotel in the Canadian Rockies June 17-20.

Donald Shepherd, John Hancock, Quincy, Mass., vice-chairman of the program committee in charge of room-hopping, has announced the subjects and room hosts for these sessions, scheduled for Thursday, June 16.

Of the 2,987 members of the 1958



W. D. Davidson

(CONTINUED ON PAGE 11)

## New Home For Guarantee Mutual

Guarantee Mutual Life dedicated its \$2,400,000 new home office building on an 11-acre park-like site on the outskirts of Omaha last week.

The company, organized in 1902 in Alliance, Neb., by the late James C. Buffington, last year had a 36% increase in life insurance sold and accident and sickness sales were up 29%. Insurance in force in 1957 totaled \$426,625,649.

Planning of the new building was in keeping with the growth of the company. The 2½-story structure is divided into two sections, the administrative wing and the readily-expandable general office area. The two sections are connected by an escalator core, the first to be used in a mid-western office building, and by an interior court. Designed primarily of glass and aluminum, the building is enhanced by the use of natural lava

## Pep Talk On Transforming Dolor To Dollars Sparks Ill. Agents' Rally

By RICHARD G. EBEL

Annual tribal rites of Illinois Assn. of Life Underwriters were held at Joliet last week, where members sifted committee reports, elected a new supreme sachem and heard a sparkling "go-get-'em" pep talk geared to transform the life agent's programming from dolor to dollars.

The annual meeting was held in conjunction with the Joliet association's sales congress which will be reported next week.

Orville M. Thies, Metropolitan, Alton, was advanced to president, succeeding J. Kenneth Wyard, John Hancock, Peoria. Also elected were Gerhard C. Krueger, Equitable of Iowa, Chicago, administrative vice-president, and James T. Kenny, Metropolitan, Springfield, secretary-treasurer.

The six regional vice-presidents named were: John M. Caffrey, John Hancock, Calumet-Chicago Heights, region 1; C. F. Stansberry, Northwestern Mutual, Joliet, region 2; Malcolm Martin, Equitable of Iowa, Rockford, region 3; Luther Linman, Guarantee Mutual, Galesburg, region 4; Donald Kissinger, Massachusetts Mutual, Decatur, region 5; and Fritz P. Dietz, Equitable Society, regional 6.

Headliner of the meeting was O. Alfred Granum, Northwestern Mutual Life, Chicago, who gave those attend-



O. Alfred Granum

ing the Illinois Leaders Round Table luncheon more than their money's worth with inspirational guidance on how to build permanent clientele. Reiterating some ideas from his own booklet, "Practical Profitable Programming," Mr. Granum said the reason for building this permanent clientele is "so we can pick up this easy repeat business in the future."

It has been said, he remarked, that to be a successful life agent, one must sell 100 young men and stick with them. This is not necessarily an over-simplification, Mr. Granum declared, because if the agent can get 100 to 200 clients, each will buy from \$50,000 to \$100,000 over a 10-year period, resulting in sales of \$10 million.

If programming is to be profitable for the agent, he must acquire the "common denominator" of outstanding agents. This he described as a "ruthless willingness to discard the prospect who wants to push the agent around." A good agent will give his prospect one honest chance to buy. If the prospect doesn't come across then, the agent is foolish to waste his time pursuing the business, he said.

Mr. Granum described seven steps in program selling: Prospecting, pre-approach, approach, fact-finding, solving the problem, closing and post sales service. Emphasizing the blood-sweat-and-tears effort that must be put into these steps to successfully culminate in a sale, he urged: "After all this work, let's remember to take advantage of all the good will we have made all off this." The agent is entitled to repeat business and referred leads from his client whom he has faithfully served,

(CONTINUED ON PAGE 19)

## Peirce To Head General American, Souers Chief Exec

### Third Managing Director Of LIAMA To Take Over Company Post Sept. 1

Frederic M. Peirce, 48, LIAMA managing director, has been elected president of General American Life and will assume his new duties Sept. 1.

Meeting at the home office, the board also named Chairman Sidney W. Souers as chief executive officer. Admiral Souers, who has been with the company 25 years, has been

chairman since 1954 and president

since the death in an automobile accident last Dec. 4 of Powell B. Mc-

Haney.

Admiral Souers said that the life insurance business today is in the midst of a so-called "marketing revolution." Competition is intensely keen, he said, and new merchandising methods are constantly being developed. "Under current conditions the directors felt it appropriate to elect one of the nation's outstanding authorities on sales and agency management."

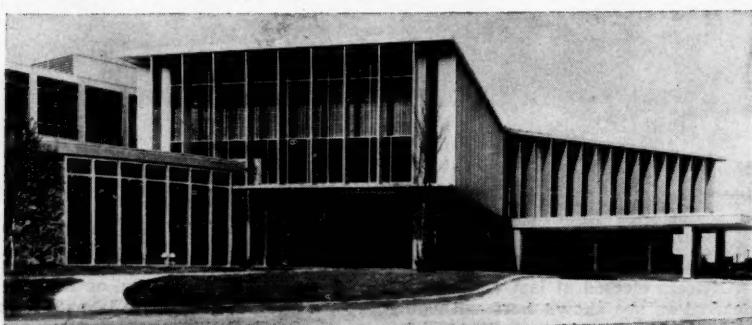
Mr. Peirce began in insurance in 1937 and served as cashier, agent and then supervisor of the Nebraska agency of John Hancock, subsequently becoming an agency officer of Capitol Life at Denver. A graduate of LIAMA's school of agency management in 1943, Mr. Peirce joined the organization in 1947 as senior management consultant. He became, successively, assistant director, associate director company relations divisions, assistant to the managing director, director of institutional relations and, in 1956, managing director. He has taught and directed several schools in agency management, has contributed to many insurance publications, wrote the basic text of *Management Planning*, and has served on numerous LIAMA and industry committees.

Mr. Peirce is the third man to head LIAMA, the first managing director being John Marshall Holcombe Jr.

## Final Touches Still Being Given Passing Of L.&C. Control

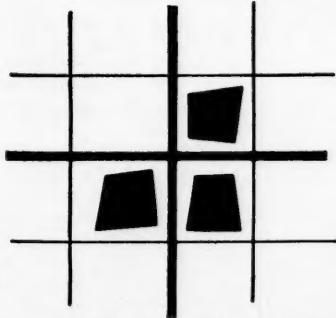
NASHVILLE—As of Thursday morning, the sale of 1.2 million shares of stock in Life & Casualty, giving effective working control to Clint W. Murphison, Dallas oil and financial magnate, had not been consummated. Final details of the sales agreement were still being worked out.

The shares are being sold by Chairman Paul Mountcastle, President Gifford Dudley Jr., and Director P.M. Estes Jr., for a total of \$40 million.





## dynamic new dimensions of The Guarantee



Symbolizing expandability, orderliness and efficiency, this design applies to the modular concept of our new building as well as to the dynamic new dimensions that are charted for our future.

Snug in our streamlined new home office building, we invite you to visit us and tour the new quarters. Already we have been told that its warmth, efficiency, and the "tomorrow's look" about it set a new standard for the insurance industry.

Progressiveness is something everyone talks about—but here it is all around you.

From pleasing courtyards and grounds, to modern escalators and functional modular concept of design throughout, the entire building bespeaks careful planning with future growth in mind. Vitality of The Guarantee and pace-setting sales achievements day after day could suggest no other course.

# Guarantee

**MUTUAL LIFE COMPANY**  
87th and INDIAN HILLS DRIVE • OMAHA, NEBRASKA

## Employers Life Is Licensed To Operate

Employers Life of America has been incorporated by Employers Liability group with capital and surplus of \$4.5 million. It received its charter in Delaware May 7, and its license May 16.

The new company is authorized to write all regular forms of ordinary and group life, A&S and annuities. Within approximately two years, it is expected to be licensed in nearly all states.

### United L. & A. Record

April sales for United Life & Accident were \$12,083,203, a new record for written business. April is also the 19th consecutive month in which paid business exceeded the corresponding month of the previous year. The company had a 23% increase in new business for the first quarter.

### LIA Adds Two Members

Durham Life, Life of North America, and Peoples Life of Washington, D. C., have been elected members of Life Insurance Assn. of America.

### Wis. Round Table Holds Annual

Wisconsin Life Insurance Leaders Round Table held its annual in Milwaukee recently. Speakers and their topics were: Warren F. Coe, Penn Mutual, "Profit Sharing Pension Plans;" William J. Kinnally, Northwestern Mutual, "New Ideas in Estate Planning," and Rev. T. Perry Jones, "The Religion of Life Insurance."

Manitowoc (Wis.) Assn. of Life Underwriters heard C. S. Ohsner, Columbus (O.) broker and business insurance specialist, speak on "Business Insurance" at a dinner meeting.

## GENERAL AGENT OPPORTUNITY

### CAN YOU PROSPECT?

Do your prospects come directly from your own effort, ability and imagination and not from office leads, your supervisor, your manager?

*Can you show others "how to"?*

### CAN YOU TELL A CONVINCING SALES STORY?

If you're doing well right now with what you've got, you'll do better with our proven competitive merchandising plans featuring dismemberment—lifetime income—top value income settlement option—and the premium payment plan of the future, Check-O-Matic.

*Can you inspire and show others "how to"?*

### CAN YOU COMPETE?

Do you enjoy competing with others? More important, do you compete with yourself?

*Can you instill this spirit in others?*

### DO YOU REALLY WANT TO EARN MORE MONEY?

Do you want to earn top present and future dollars for your own personal "know how" and for your ability to show others "how to"?

### HERE'S YOUR ANSWER!

Highest lifetime service fee in the business to adequately compensate the career underwriter—fully vested renewals for 9 years—top 1st year commission on par and non-par policies—agency office allowance—non-contributory pension plan—operating capital for new agents.

#### Write, Wire, Phone

FREDERICK E. JONES, President  
HOWARD W. KRAFT, Vice President  
and Director of Agencies

THE OHIO STATE LIFE

Insurance Company

COLUMBUS 15, OHIO

Opportunities in: Arizona, California, District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, North Carolina, Ohio, Pennsylvania, Texas, Virginia and West Virginia.

## Dedicate Mutual Trust Life New Home Office In Chicago Ceremony

Mutual Trust Life this week dedicated its \$4 million home office building at the northeast corner of Wacker drive and Monroe street in downtown Chicago. The company occupies the first four floors of the six-story structure.

(Picture of the building appears on page 18.)

The formal dedication ceremony was conducted by President Raymond Olson, with some 250 guests present, including the company's leading agents, civic officials and officials of the life industry. The dedication date was exactly 53 years to the day from the date Mutual Trust issued its first policy. Following the ceremonies, an open house reception was held for more than 600 friends and business associates of the company.

In addition to Mr. Olsen, other participants in the dedication were Director Gerber and Mayor Richard J. Daley of Chicago; John E. Starrett, senior partner of Perkins & Will who designed the building; Arch Jackson of A. L. Jackson & Co., general contractors for the building; Robert W. Mullane Jr. representing the company's 200,000 policyholders, and Charles E. Menor, vice-president and secretary.

### Vertical And Horizontal Expansion

The structure is designed for both vertical and horizontal expansion, with the present 177,000 square foot structure planned for eventual expansion to a total of 452,000 square feet. Already installed are lobby, elevator shafts, and heating and air conditioning facilities for the ultimate expansion.

The outside walls are predominantly blue porcelain enamel steel, plate glass and stainless steel, offset by piers of polished black granite at the east and north corners. The Wacker and Monroe street levels are finished with polished black granite. Gold-tone glass fiber drapes in all of the windows add contrast. Special circuits of ceiling lights around the perimeter illuminate all the draperies at night.

### Greatness No Accident

President Olsen in his dedication remarks said: "The greatness of our country has not been an accident. Our achievements have not come easily or without effort . . . We have made mistakes; we are making them now. We have tried to buy some things wholesale that can only be bought at retail. For example we have been trying to buy financial security with legislation.

"From time to time we try to spend our way out of a recession, and always with the same result. We also have the misapprehension that money can buy the affection of mankind. Each time we make these mistakes, sooner or later we recognize them and emerge even stronger in our resolution to protect our heritage of self reliance, equal opportunity and reward for initiative."

Mr. Olsen also paid special tribute to the company's leading agents attending the ceremonies. He said without them "we would probably still be back at our original office. We have this building here today because our field force has built more than \$600 million of life insurance protection. This building is a reflection of the efforts of our field force."

## SWAMPSOCCOT CONFERENCE

## New England Area Panelists Explore Factors Affecting Agency System

Individual service by the individual agent is the clue to the future of the life insurance business was the conclusion reached by moderator Robert B. Pitcher, general agent of John Hancock at Boston, at the close of a panel discussion on the future of the agency system.

The panel was a feature of the New England area management conference held at Swampscott, Mass., by New England General Agents & Managers Assn.

Panelists were Osborne Bethea, manager Prudential, Newark; Harry Krueger,

## OFFICERS ELECTED

President—Walter K. R. Holm Jr., Connecticut Mutual, Providence.

Vice-president—Howard J. Stagg 3rd, Connecticut General, Boston.

Secretary—Lario J. Balboni, Metropolitan Life, Boston.

Treasurer—Ray E. Goewey, Aetna Life, Springfield, Mass. (reelected).

Directors—Hollis L. Woods, Mutual Benefit Life, Hartford, and Edward Duffy, John Hancock, Quincy, Mass.

ger, general agent Northwestern Mutual, New York, and Edward L. Reiley, general agent Mutual Benefit Life, Philadelphia.

The questions and answers were prepared in advance, but the panelists occasionally departed from their scripts.

The first question: *What will happen to the struggling average agent in the life insurance business if social security, group and other developments continue to cut into his business?*

Mr. Krueger said there were two ways to answer that. Citing an extreme case of "group on group" giving each of three brothers in a small corporation \$50,000 tax-free if one of the others should die, Mr. Krueger indicated that such gimmicks rampant could put the average agent out of business.

He assumed, however, that the overwhelming majority of life companies oppose such gimmicks and concluded that the life agent will survive so long as individuals are not content with the bare minimum of security provided collectively. Vast segments of the insuring public need, want and are willing to pay for the services of an alert, educated agent.

*What will be the trend of life insurance agents selling fire and casu-*

*alty, and general brokers selling more life insurance?*

Mr. Bethea thought that definitely there will be more life insurance business sold by brokers and more casualty business sold by life men. He added, though, that most top-flight career agents will continue to be life agents. Most general insurance men, he said, will continue to service their casualty business and write life business incidentally.

Mr. Bethea declared that the fundamentals of training career agents and building agencies have not been changed in the slightest by this development.

## Non-Vested Renewals Trend?

*Will there be a trend toward non-vested renewals, or a trend toward more liberal compensation in the early years?*

Mr. Reiley saw no trend toward non-vested renewals, unless agents seek increases in such benefits as retirement. He believes the trend will be toward more vesting by companies which do not now vest all renewals.

Mr. Reiley noted that some companies have "career contracts" providing larger renewals in the early years with a decrease in the number of renewal commissions paid but followed by service fees. He predicted this type of contract will become more popular.

Agents who prize their independence

(CONTINUED ON PAGE 14)

## Chicago CLUs Name Wegner President, Hear Ben McGiveran

Chicago CLU chapter at its recent annual meeting elected Walter G. Wegner, New England Life, president to succeed Robert J. Murphy, Prudential manager. Other officers named were Francis W. Morley Jr., Associated Consulting Services, vice-president; Odd Meyer Jr., Equitable Society, treasurer, and Robert S. Bowles, brokerage manager Great-West Life, secretary.

Mr. Wegner's inauguration statement praised the outgoing administration of officers and directors under Mr. Murphy's leadership which saw the membership rise to 225, an all-time high. He expressed his determination to make CLU affiliation even more important and attractive. Membership activity will be increased and broadest possible participation on committees will be obtained.

## Tribute Paid To Joy Luidens

Special tribute was paid at the meeting to Joy M. Luidens, who retired after 29 years of service to the CLU chapter since its founding in 1930. A testimonial signed by each of the living past presidents and a gift of a Hi-Fi radio was presented to her. She also received a testimonial letter from the newly elected officers.

In thanking the membership, Miss Luidens recalled the growth of the chapter from four members to its present 225. She commended the CLUs for their acceptance of responsibility in working to improve the life insurance business.

Featured speaker was Ben S. McGiveran of Seefurth & McGiveran, Milwaukee and Chicago pension consultants, who discussed the "Corporate Community." This concept is based on his conviction that the corporate community is the corporation and the result of, and a prime evidence of, the free enterprise of society.

## A Community Of Partners

Mr. McGiveran said the corporation is a community of partners, owners and workers, suppliers and customers, and government. Government as a partner participates up to 52% of the corporation's earnings through taxes. When the corporation pays the other members of the community, the partnership of the government is shifted to the other members through taxes, he declared.

The government's partnership must be kept within reasonable bounds through careful planning and accounting by all available means, to help assure the well-being of the other partners. The problems of the owner or owner-manager include both immediate and ultimate income, current and ultimate retention of business control, methods of compensation, and liquidity of investment to pay death taxes, he said. Also, all workers, whether owners or not, may look to several types of compensation: Basic, supplementary, protective, prerequisites, and that there must be coordination between business compensation methods, business interests and personal estate planning.

## Duty Of Management Noted

It is the duty of management, Mr. McGiveran concluded, to make use of the plans and methods which will give the greatest coverage of personal and family needs for all community members with the least necessary government partnership and the greatest retention of corporate income for future community good. He said the CLU "has a definite protective, educational and creative function in its corporate community."

The full development of Mr. McGiveran's doctrine of the corporate community will be developed at the two-week study institute to be held this summer for CLUs at the University of Wisconsin, University of Connecticut and University of Colorado. These institutes are sponsored by American College and American Society.

Mr. McGiveran spoke again at the end of the meeting, and as an articulate exponent of developing the thought that the advanced life agent should determine his own best field and specialize, cooperating with others in a team effort, said, "do what you do best and let someone else do the rest."

He ended with two challenges: "Your personal satisfaction as professional and business men can only be accomplished through achievement to capacity, and the successful life insurance agent doesn't vend policies, he discovers an estate owner's problems and effectively transmits the solution to get the order."

## Reference To UNinsured Pension Plans Was Meant

An intended reference to over-optimistic assumptions in connection with uninsured pension plans came out in last week's issue as "insured" plans.

It is in the field of uninsured pension plans that misgivings about the soundness of assumptions have been expressed.

# COMMONWEALTH LIFE

## INSURANCE COMPANY



One of the Nation's billion-dollar companies, with more than 1000 successful Fieldmen . . . in seven states . . . from the Great Lakes to the Gulf Coast.

HOME OFFICE:  
Commonwealth Building  
Louisville  
The Tallest, Finest Office  
Building in Kentucky

## Chicago Claim Assn. Elects Kemp President

Fred H. Kemp, Prudential, was elected president of Chicago Claim Assn. at the annual meeting recently to succeed Kenneth C. Berry, Lumbermens Mutual Casualty, who becomes chairman of the executive committee. Other officers are: Vice-president, Norman E. Whiton, Loyal Protective Life; secretary, Harry W. Hoffman, United, and treasurer, Clyde Zimmerman, Continental Assurance.

Elected to the executive committee with Mr. Berry were Miss Valencia Perea, United; Joseph Dryer, Hospital Report Service; Arthur A. Rose, Retail Credit Co., and Leonard M. Mannogg, Connecticut General Life.

The association will have a golf outing next month and resume meetings in October.

## Decries Premium Drop At Indianapolis Parley

The commission value of a million dollars worth of business has declined from the "old rule of thumb" \$5,000, to no more than \$3,500, Fred A. Lumb, New England Life agent at Grand Rapids, an insurance author, told a recent meeting of General Agents & Managers Assn. of Indianapolis. Attributing this to the decline in average premium, Mr. Lumb cited his own

agency as a typical example, and said his average premium had fallen from \$40 per thousand, 12 years ago, to about \$26 today.

Mr. Lumb, whose book on management is listed in the new CLU management reading list, said he had found that first year acquisition costs will run from \$6 to \$8 per thousand. He classed anything under \$7 as "good," and anything under \$6.50 as "excellent."

The trend to monthly premiums is increasing the costs of any agency,

Mr. Lumb said, and noted that his own collection cost is running 98 cents per premium notice. For that reason, he is offering a prize to any agent who is able to change a policyholder to an annual basis.

A district office will pay off at \$300,000 annual production if a full time girl can be avoided, Mr. Lumb asserted, and he advised the agent to check into the cost of telephone answering equipment and part-time stenographic help, possibly utilizing the agent's wife for this.



## "Our Partnership Philosophy 'Sparks' New Ideas!"

SAYS SHERMAN M. JENSON, VICE PRESIDENT, GROUP, AMERICAN UNITED LIFE INSURANCE COMPANY

"NEW sound techniques in the fast-growing area of Group Life Insurance are reflected in our 'Home Protector' Plan.

"Designed specifically for lending institutions making home mortgages, this unique plan is based on coverage of monthly mortgage payments, in such a way that makes it a first-in-the-field.

"Agents are finding 'Home Protector' easy to sell because it's easy to understand—easy to get—easy to pay for—easy to administer. Being true Group, it is low-cost. Simple, flexible . . . designed to meet today's changed needs.

"And, it's available here, first, already proved and working. Another example of our 'Partnership Philosophy' in action.

"American United's portfolio also includes employer-employee plans, group-credit plans, pensions, trusts and a real door-opener—'Baby Group.'

"You might be interested in knowing more about all of these, as well as our 'Partnership Philosophy.' Write, wire or phone me."

Your home office "partners"—key personnel who back you in the field—are pictured in background of above photo. Behind desk, left to right: Henry Heintzberger, Serge Bushong and Tom Eberhard. In front of desk: Willard Thomas and Bill Johnson. Right-hand group: Warren Couger and Charles Macey.



AMERICAN UNITED LIFE INSURANCE COMPANY • HOME OFFICE: INDIANAPOLIS, INDIANA

ALL ORDINARY LIFE FORMS • FLEXIBLE OPTIONS • LOW NET COST SPECIALS • UNIQUE JUVENILE • GROUP INSURANCE • GROUP RETIREMENT • PENSION TRUSTS • NON-CANCELLABLE DISABILITY • GUARANTEED RENEWABLE MAJOR MEDICAL • GUARANTEED RENEWABLE HOSPITAL & SURGICAL • SPECIALISTS IN SUBSTANDARD UNDERWRITING • REINSURANCE

## Two Ill. Blue Cross Plans On The Carpet

Hospital Service Corp. of Chicago, one of two Blue Cross plans in Illinois, recently was granted by Director Joseph S. Gerber 120 days to comply with a department order which provides that Blue Cross subscribers may not be given benefits different from those provided for under their subscribers' certificates regardless of where the subscriber is hospitalized.

An order was issued by Mr. Gerber May 2 against Illinois Hospital Service Inc. of Rockford, the other Illinois Blue Cross plan. The Rockford company was given 30 days to comply with the order and is taking the necessary steps.

### Result Of Hearings

The order is the result of hearings held during the past several months. The hearings were principally concerned with the effect of the operation of a clearing house known as the Blue Cross Interplan Service Benefit Fund which for the most part handles claims of Blue Cross subscribers hospitalized outside their home state. Hearing Officer Lawrence A. Berman found that the "bank" operation resulted, in many cases, in subscribers being given greater benefits than those provided in their certificates, while in other cases smaller benefits were given.

Mr. Berman also determined that these excess benefits resulted in the companies' rates for hospital care being increased.

Both companies have advised the department that their subscribers' claims for out of state care will continue to be handled so their subscribers will not be inconvenienced.

Mr. Gerber said the additional time was given the Chicago Blue Cross plan because it has a larger number of subscribers than the Rockford plan. He also said that only about 5% of all claims handled by the two companies were processed through the "bank," but that even this small percentage involves large sums in excess benefits.

## Berkshire Forms Special Leaders' Club For Brokers

Berkshire Life has organized a special leaders club for general insurance men only to be called the Brokerage Triangle Club. It will have a different set of qualifications from the Triangle Club for full-time agents. General insurance men will continue to be eligible, as in the past, for the two top honor organizations—the President's Club and Vice-president's Club—on an equal basis with all Berkshire representatives. The first meeting of the Brokerage Triangle Club will be in Washington, D. C., next February.

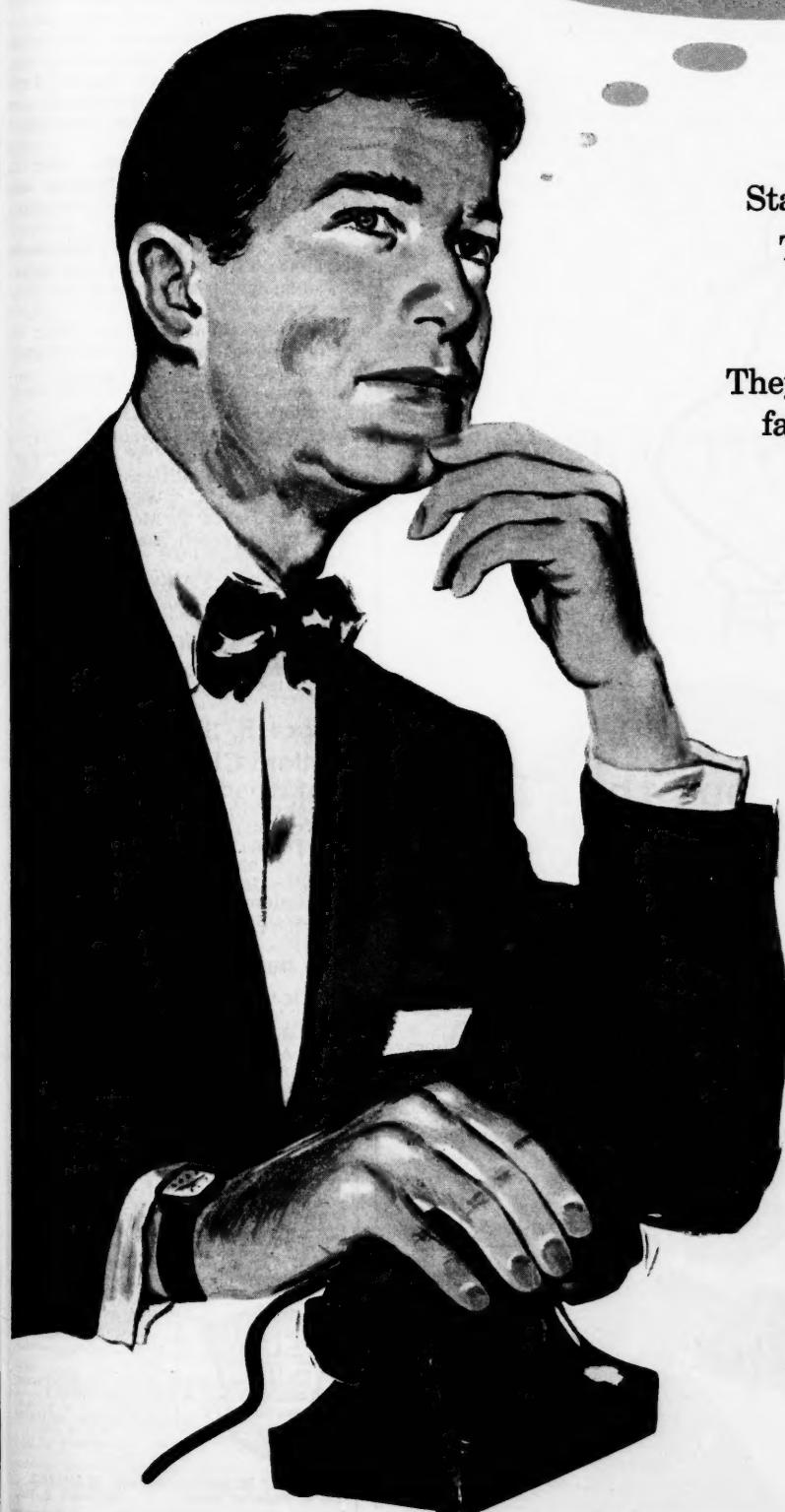
### Buchanan Heads D. C. Assn.

WASHINGTON—The District of Columbia Life Underwriters Assn. has elected the following: As president Thomas R. Buchanan, New York Life; 1st vice-president William R. Tooker Jr., general agent Berkshire Life; 2nd vice-president Wayne E. Dorman, general agent Penn Mutual; directors Joseph S. Baldwin, Northwestern Mutual, George C. Wyland, Acacia, Fred V. McNair III, Jefferson Standard.

### Ohio State Life Reports 40% Gain

Ohio State Life reported substantial gains for the first quarter of 1958 over the same period last year. Insurance in force as of March 31 was \$394,406,547, which sum was increased \$9 million during the past quarter—a gain of 40% over last year's first quarter.

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## Form 22 Local Units In 4 Months: NALU Believes It A Record

WASHINGTON—Twenty-two new local units of the National Assn. of Life Underwriters were organized in the first four months of 1958.

"This is probably a record number of new associations in such a period of time," said Lester O. Schriver,

NALU managing director. "It is evidence of the rapidly mounting interest in the NALU programs for such things as better life insurance legislation, underwriter education and training, and more qualifiers for the national quality award, Leaders Round Table, and Million Dollar Round Table. The addition of these 22 makes a total of 734 local units of NALU."

The new units and such of their officers as have been reported to NALU are:

Central Coast association, Santa Maria, Cal.: Rock M. Kirkham, presi-

dent; Don A. Strassburg, secretary; Clement L. Lessi, national committee man.

Merced County, Merced, Cal.: Kenneth E. Morley, president; Clarence C. Olive, secretary; Edwin D. Gatchel, national committee man.

Mid-Valley, Marysville, Cal.: James F. Taresh, president; Arthur T. Weaver, secretary.

Spanish Peaks area, Trinidad, Colo.: Michael Funaro, president; Adeline Trujillo, secretary; Avade Lujan, national committee man.

Gadsden county, Quincy, Fla.: C. C.

Traylor, president; Ancil Z. Futch, secretary; C. T. Straughn, national committee man.

Tri-City, Fort Walton Beach, Fla.: Tom G. Sanford, president; A. V. Gadianian, secretary; Harold T. Speck, national committee man.

Americus, Ga.: G. C. Croft, president; L. N. Lassiter, secretary; James W. Keene, national committee man.

Swainsboro, Ga.: Fred New, president; Charles A. Rountree, secretary.

Du Page, Downers Grove, Ill.: Blaise W. Huebsch, president; Elmer A. Schulz, secretary.

Teche, New Iberia, La.: Kenneth P. Waggespack, secretary.

Taunton-Attleboro, Taunton, Mass.: Joseph F. Riley, president; Dennis Craven, secretary.

Marquette-Alger county, Marquette, Mich.: James E. Van Lanen, president; Robert E. Moore, secretary; Howard C. Treado, national committee man.

Southwestern Minnesota, Worthington, Minn.: Officers unreported.

Alamogordo, N. M.: Eugene Lansing, president; Michael Termine, secretary; Sid West, national committee man.

Gateway, Clovis, N. M.: John L. Getz, president; Robert Pittard, secretary; John W. Russell, national committee man.

Sapulpa, Okla.: Jerry L. Robertson, president; Freddie R. Jackson, secretary; James T. Casteel, national committee man.

Western Oklahoma, Altus, Okla.: W. Odell Hawkins, president; Otto Carley, secretary; Burr Speck, national committee man.

Clarion-Jefferson, Clarion, Pa.: Fred W. Cupples, president; Charles R. Slater, secretary; Walter J. Horton, national committee man.

Beaufort, S. C.: William H. Aull, president; Lance T. McBee, secretary; Charles E. Corbett, national committee man.

North Woods, Antigo, Wis.: Gerald M. Mikkelson, president; Robert J. Perz, secretary.

Western Wyoming, Rock Springs, Wyo.: Carl W. Hughes, president; Curt Gunter, secretary.

### Horace R. Smith Heads Hartford CLU Chapter

HARTFORD—Horace R. Smith has been elected president of the Hartford CLU chapter. He is assistant agency vice-president of Connecticut Mutual Life.

Ben L. Goldenberg, regional manager of Columbian National, was elected vice-president and Frank P. Sheldon, Phoenix Mutual, secretary-treasurer.

### Three Directors Elected

Elected directors were Gordon L. Prior, manager for Manufacturers Life, John K. Luther, director of training of Aetna Life, and Robert E. Conaty, manager of New York Life.

Principal speaker at the annual meeting was President Davis Gregg of American College.



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the public. Obviously, something had to be done.

The more we studied our full corporate name, the more evident it became that the words "Mutual Of New York" seemed to set us apart most clearly. A little doodling with our initials led us to "MONY" ... as in cold cash.

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Orange.....Cloudy  
Orange flashing.....Rain  
White flashing.....Snow

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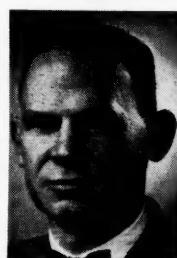
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## LOMA GRADUATES' SEMINAR

## Deeper Approach To Human Relations Problems In Business Needed: Collier

The human problems in business cannot be ignored, but must be met with a constantly renewed approach, if management is to be most effective at all levels, Abram T. Collier, vice-president and general counsel of John Hancock, told the annual seminar of Society of LOMA Graduates in New York City.



Abram T. Collier

Mr. Collier, for many years head of his company's personnel operations and a writer on human relations, said there are no "easy answers" such as are often given to these problems.

Referring to the rapid growth of human relations programs for the selection and training of executives and supervisors, he warned that the great expectations of many of these programs had been quickly dimmed when they were found to be either "hard sell" or "soft approach."

"The problems of people in business are much deeper than is suggested by the usual alternatives of tough-mindedness or tender-mindedness," he said.

## Fresh Approach Needed

The fresh approach to problems in human relations, much needed today, must be deep enough to deal with some of the perennial problems of psychology and philosophy, according to Mr. Collier.

One approach, which he suggested might clarify thinking about human relations problems, would be to note that all observations of human behavior can be related to the four basic dimensions of the human universe. These dimensions are derived from the fact that an individual may view himself from both an internal or subjective point of view and also from an external or objective point of view; and that, in addition, he may view others from the same two points of view. If each of these basic viewpoints is taken into account, Mr. Collier believes it would be possible for people to discuss individual and social problems more intelligently and to embark more confidently on the further exploratory studies which are so essential if real progress is to be made in this field.

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with total annual savings of \$72,000. "Participation in the program has been spectacular," he said, "and while several supervisors have been trained in the details and techniques, hundreds of employees have participated."

The objectives have been to save time and money and the program has been successful because of the active support of management and an understanding on the part of employees that it works to their good.

A new type of orientation program for employees was described by Howard V. Kivlin, senior management associate in education at Metropolitan Life. He described an animated orientation program to familiarize employees of payroll, records and accounts divisions with the broader aspects of their jobs.

Robert J. Randall, associate actuary of Teachers Insurance & Annuity, discussed the purpose and nature of life company examinations by the state insurance departments.

Frederic C. Erdman Jr., assistant manager of methods of Home Life of New York, described his company's work simplification program. After three years of this program, the company has completed over 360 projects,

IAAHU Ready To Vote  
On New Constitution

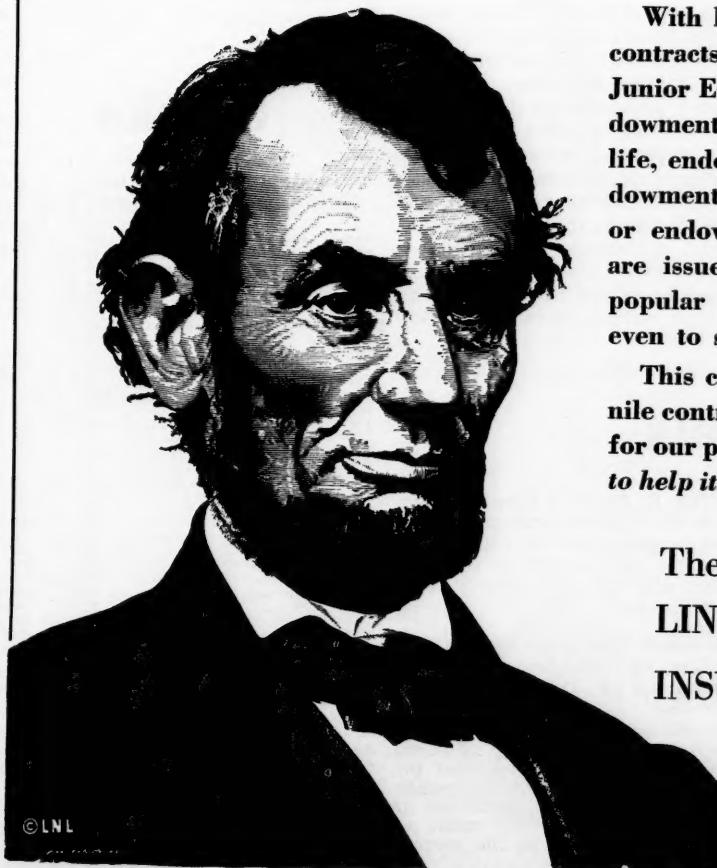
A new constitution and by-laws will be on the voting docket at the annual meeting of International Assn. of A&H Underwriters, June 11-14, at Los Angeles. John Galloway, Provident L&A, Birmingham, has prepared a draft that has been circulated to presidents and secretaries of local and state associations.

Mr. Galloway, a past president of IAAHU, currently a board member and head of DITC, is the organization's parliamentarian. He has gone through records, former constitutions and by-laws to gather practices, customs and written procedures into one up-dated instrument.

## Features Of Constitution

The new constitution calls for establishment of an office of president-elect and two more vice-presidents to insure seasoned leadership. Other changes concern reelection, tenure of office, travel allowance and definition of responsibility for the board members—zone chairmen, officers and managing director.

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## Editorial Comment

### More Than Variable Annuities Involved

Last week's decision of the U. S. circuit court of appeals slapping down the Securities & Exchange Commission's assertion of jurisdiction over variable annuities in their non-life-contingency aspects has implications going far beyond the limits of the variable annuity business.

If the SEC contention should be upheld by the U. S. Supreme Court, the principle underlying it could be used for asserting concurrent jurisdiction, with the states, over the purely investment aspects of all life companies. This would obviously be a matter of the first importance for the life insurance business.

At the original trial last year, the SEC's closing arguments centered on the point that it should have dual regulation. There was no effort to argue that it should have exclusive regulation.

In the argument on appeal, a few weeks ago, it was even more clear that the SEC was not contending that these variable annuity companies were not properly licensed as life insurance companies. Instead, the SEC was contending that it should also have regulation because some of the com-

panies' activities, namely the acceptance of premiums and the accumulations up to the pay-out stage of the deferred annuity.

The circuit court judges' opinion, reported in this issue, was encouraging for its expression of faith in the state supervisory authorities and their qualifications for handling this new type of insurance, the variable annuity. The judges were not taken in by the SEC contention that the variable annuity is not really insurance but just a thinly disguised mutual fund. They recognized it as being essentially an insurance contract and, as such, logically in the province of the insurance departments.

Also encouraging was the judges' rousing affirmation of Congress's intention, as expressed in the McCarran act, to leave insurance regulation to the states until such time as Congress decides otherwise. To be sure, one circuit court of appeals speaks only for its own jurisdiction and the SEC is almost certain to appeal to the Supreme Court. Nevertheless, the insurance business is entitled to feel pretty good about last week's decision. —R.B.M.

### Saving Is Getting More Popular

More and more people, both men and women, are buying life insurance today primarily as property, as savings. The whole idea of systematic savings has been given great impetus by such things as the monthly investment plan (M.I.P.) of the New York Stock Exchange; the payroll deduction purchase of Series E United States Treasury Bonds and the purchase of mutual fund shares on the monthly payment plan. Since these three forms of investment have assumed more importance, the public has become definitely more saving and investment conscious. As a consequence, there is a more favorable and easier response to any discussion of a regular savings plan.

Several years ago someone described this state of affairs concisely by say-

ing, "The man who plans ahead gets ahead—even when his plans are faulty. This is because *any* plan is better than no plan, and so few men plan at all."

Life insurance as savings or as property is not discussed by life insurance men as frequently as it should be under today's conditions. The public is more savings conscious than ever before. A large percentage of all life insurance prospects have adopted or are considering adopting some one of the most popular savings plans. Because there are so many in this frame of mind, life insurance should be presented as savings, as money for future delivery, as a savings plan superior to any other because, so far, a life insurance policy is the only unbreakable will ever written.—Howard J. Burridge.

## Personals

Miss Janet Alice Call, daughter of **Asa V. Call**, chairman of Pacific Mutual Life, and Mrs. Call, was married May 24 at Los Angeles to William E. Burby Jr.

**Paul F. Clark**, chairman of John Hancock, will serve as chairman of the advance gifts department of United Fund Campaign in greater Boston next fall.

**P. Ian Murray**, public relations manager of Confederation Life, has been elected 1958-59 president of Canadian Public Relations Society. He is a past president of Canadian Industrial Editors Assn.

**William H. Pryor** of Milwaukee has been given a special commendation by Wisconsin State Assn. of Life Underwriters for his service as president 1947-48 and national committeeman 1948-50.

**Clarence J. Myers**, president of New York Life, has been elected president of Commerce & Industry Assn. of N. Y.

The Arthur Milton agency of Postal Life at New York has appointed the Marian R. Stewart firm of public relations consultants "to implement its program in clarifying the status of the insurance investor in the current economic picture."

## Deaths

**FRED C. CROWELL SR.**, 78, founder of American Home Life of Spencer, Ia., and father of Fred C. Crowell Jr., editor and publisher of the *Insurance Field*, died in Spencer Municipal hospital following a stroke he suffered in April.

As a young man, Mr. Crowell was a leading producer in Des Moines for Equitable of Iowa. Later he was with Webster Life of Des Moines. For years he was a district manager of Mutual of New York and was state manager for National Guardian Life.

Mr. Crowell organized American Home Life in 1936 as an assessment association. The company was recently purchased by Lincoln Mutual Life of Nebraska. Mr. Crowell's father, C. C. Crowell, was secretary-treasurer of the old Northwest Life & Savings of Des Moines, which was reinsured by Northwestern National Life in the early 1900s.

**WILLIAM H. KEE**, 71, former manager in Brooklyn for Mutual of New York, died at his home in Morristown, N. J. He joined the company in Brooklyn in 1923, becoming manager there in 1934. He retired in 1952 but continued as an agent of Mutual's Newark agency and had been active up to his final illness.

**WILLIAM E. CLEVINGER**, 63, regional director at Chicago of Philadelphia Life, died at his home in suburban Homewood.

**CLAUDIUS B. HALL**, 84, of Greensboro, N. C., vice-president and director of Durham Life, died after a long illness. He was one of the group which organized the company.

**MARTIN J. MULLEN**, 51, for a number of years director of publicity and advertising for General American Life, died in St. Louis after a long illness.

## Stocks

By H. W. Cornelius, Bacon, Whipple & Co.  
135 S. LaSalle St., Chicago, May 27, 1958

	Bid	Asked
Aetna Life	185	190
Beneficial Standard	13½	14½
Business Men's Assurance	70	73
Cal-Western States	79½	81½
Columbian National	72½	75
Commonwealth Life	21	22
Connecticut General	127	130
Franklin Life	69	71
Great Southern Life	72	75
Gulf Life	21½	22½
Jefferson Standard	72½	74½
Kansas City Life	1240	1260
Liberty National Life	28	29½
Life & Casualty	23	24
Life of Virginia	95	98
Lincoln National Life	191	195
National L. & A.	79	81
North American, Ill.	17	18
N. W. National Life	85	Bid
Ohio State Life	255	275
Old Line Life	42	44
Republic Nat'l. Life	46½	48
Southland Life	78	82
Southwestern Life	100	104
Travelers	74½	75½
United, Ill.	24¾	25¾
U. S. Life	33½	34½
West Coast Life	34	35½
Wisconsin National Life	58	63

### GAMC Idea Book Released

Complete texts of the talks given by five speakers appearing on the "Ideas to Share" program presented by General Agents & Managers Conference of National Assn. of Life Underwriters at its mid-year meeting have been put into booklet form and distributed to members.

## The NATIONAL UNDERWRITER

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CLEVELAND 14, OHIO—1367 E. 6th St., Lincoln Bldg., Rm. 208, CH 1-3396. Paul Blesi, Resident Manager.

DALLAS 1, TEXAS—303 Employers Insurance Bldg., Tel. Riverside 7-1127. Alfred E. Cadis, Southwestern Manager.

DENVER 2, COLO.—234 Commonwealth Bldg., Tel. Amherst 6-2725. J. Robert Ebelhardt, Rocky Mountain Manager.

DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 2-5966. D. J. Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg., Tel. Woodward 5-2305. William J. Gessing, Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276. William J. Gessing, Manager for Indiana and Michigan.

LOS ANGELES 66, CAL.—11326 Kingland St., Tel. TEXAS 0-8159. E. C. Faris, Associate Pacific Coast Manager.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-3411. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—17 John St., Room 1401, Tel. BEEKMAN 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St., Room 1027, Tel. PENNypacker 3-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo E. Wohlgemuth, Resident Manager.

SAN FRANCISCO 4, CAL.—582 Market St., Tel. EXbrook 2-3054. Richard G. Hamilton, Pacific Coast Manager.

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## MDRT Membership Is 23% Above Last Year

(CONTINUED FROM PAGE 2)

Round Table, 878 are in the qualifying and life, repeating, category, as against 761 last year; 406 are life members, as against 351; 306 are qualifying and life, first time, compared with 196 in 1957; 593 are qualifying and repeating as against 467 last year, while 804 are first-time qualifiers as compared with 663 in this category in 1957.

### Would Substitute Four Divisions

The membership category proposal would substitute for the present five groupings the following four divisions: Qualifying, consecutive qualifying, continuing, and inactive. The continuing and inactive classifications would apply only to those not currently qualifying.

For the two qualifying categories, the number of years of qualifying would be indicated. For example, for a man qualifying for three years in a row the designation would be "third consecutive qualifying." For a non-consecutive three-time qualifier it would be "third time qualifying."

### Three Ways To Qualify

There would be three ways in which to qualify as a continuing member:

1. One year of continuing membership for each three years of consecutive qualifying membership. Thus, anyone qualifying for six years could have two years in which to be a continuing member without other qualification.

2. Any current life or qualifying-and-life member or any member who, as of the 1958 Round Table, had as much as one leg on a life membership would be eligible to be a continuing member for the rest of his life from and after the date he would have attained life membership under the present rules.

3. A future member, i.e., qualifying for the first time in 1958 for the 1959 Round Table, or later, would be eligible for continuing membership of one year for every consecutive three years and for the rest of his life from and after the time he has qualified for an aggregate of 10 times, whether consecutive or not.

"That's a lot tougher than our present life rules," Chairman Davidson commented, "but no present member can ever be hurt by it and one of the most insistent requests from our members is to tighten up the rules, in the interest of keeping MDRT prestige always on the rise."

The proposed changes were worked out by the executive committee and the by-laws committee, which is headed by John O. Todd, Northwestern Mutual Life, Chicago, a past chairman of the Round Table.

### Room-Hopping Sessions

There will be 11 room-hopping sessions. One will be four-in-one program, moderated by Arthur F. Priebe, Penn Mutual Life, Rockford, Ill., a past chairman of the Round Table. The four hosts and their subjects will be Joseph S. Graves, General American Life, St. Louis, "Stir, Soothe and Satisfy Them," dealing with package selling; Warren S. Griffin, National Life of Vermont, Atlanta, "Sales Techniques and Organization"; Bernard C. Lewis, Prudential, Newark, "Just Basic Fundamentals," and Robert J. Spooner, Equitable Society, Appleton, Wis., "Approach Them for Keeps."

Other room hosts and their subjects will be Raymond F. Triplett, New York Life, San Jose, Cal., "Uses of Corporation Insurance in Estate Plan-

ning," John Mulock, Mutual Benefit Life, Clearwater, Fla., "Super Split Dollar in Deferred Compensation"; Mark B. Higgins, Equitable Society, Pittsburgh, "Group Insurance Coverages"; Irving F. Ash, Mutual of New York, Beverly Hills, Cal., "Simplified Selling of Larger Cases"; David A. Bardes, Mutual Benefit Life, San Francisco, "Estate Planning"; Joseph N. Desmon, Continental Assurance, Buffalo, N. Y., "Pension Planning for Small Businesses"; Alfred S. Howes, Connecticut Mutual, New York City, "Insuring Uninsured Profit-Sharing and Pension Plans"; Edwin G. Davies, Manufacturers Life, Los Angeles, "Open Sesame to the Close Corporation"; Z. Willard Finberg, Great-West Life, St. Paul, "Business Insurance for the Sole Proprietor"; W. Franklin Scarborough, New England Life, Ridley Park, Pa., "Life Insurance Programming and Estate Planning—Conservation and Distribution."

More than 700 have made reservations for the Banff meeting.

## Spreckelsen Heads LOMA Graduates

Edwin D. Spreckelsen, group underwriter of Mutual of New York, was elected president of the Society of LOMA Graduates at its annual meeting in New York City. He succeeds William E. Eitel, methods manager of Home Life.

Other society officers are: vice-president, Paul E. Mais, administrative vice-president of National Health & Welfare Association; treasurer, Eugene R. Kintgen, assistant manager, group personnel, New York Life; secretary, Ida Cepicka, assistant investment officer of Teachers Insurance & Annuity.

Elected to the council were George E. Hartz Jr., assistant manager, general actuarial division, of Prudential; Ralph D. Sprecher, staff supervisor, controller's office, of Metropolitan Life; and Frank Rummel, assistant territorial head underwriter of Mutual of New York.

## To Fete Sen. Townsend As Insurance Teacher

A recognition dinner program will be given at the Garden House of Butler University in Indianapolis June 5 to mark the 25th anniversary of J. Russell Townsend Jr. as a member of the university's life insurance faculty. It will be given under the joint auspices of the university and Indianapolis CLU chapter.

Mr. Townsend, who is Indianapolis general agent for Equitable Life of Iowa and a CLU, is the state senator who is chairman of the legislative committee investigating A&S.

Many members of Indianapolis Assn. of Life Underwriters are former students of Mr. Townsend and will be among those on hand to honor him. Also, many nationally recognized leaders are scheduled to attend the dinner, including H. C. Graebner, dean American College; W. T. Beadles of Illinois Wesleyan University and president American Assn. of University Teachers of Insurance; Robert I. Mehr, University of Illinois; Commissioner Palmer; J. E. Hedges, Indiana University; E. E. Cooper from the home office of Equitable Life of Iowa; M. O. Ross, president of Butler University and members of the Butler board.



Shown at the annual meeting of Chicago CLU chapter, from left, Robert J. Murphy, Prudential manager and retiring CLU president; Walter G. Wegner, New England Life, the new president; Ben S. McGivern of Seefurth & McGivern, Milwaukee and Chicago, the speaker, and John O. Todd, Northwestern Mutual Life. (Story on page 4.)

### Ore. Leaders Round Table Elects

New president of Leaders Round Table of Oregon is Nina B. Adams, Occidental of California. Other officers elected include Mason DeNeffe, Pru-

dential, vice-president; James W. Gilbert, Equitable of Iowa, 2nd vice-president; Patrick B. Carr, Connecticut Mutual, secretary-treasurer; and Robert C. Ronald, Business Men's

NO. 5 IN A SERIES

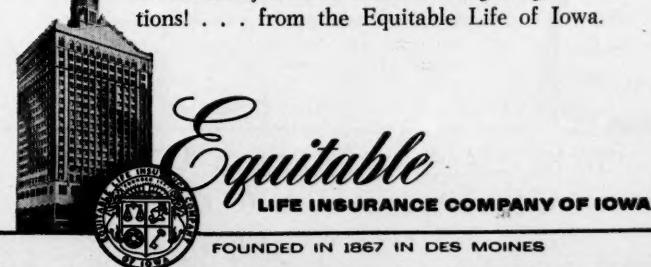


## EQUITABLE LIFE OF IOWA IN

# IOWA

In Iowa, corn isn't the only thing which soars to impressive heights. Equitable Life of Iowa sales do, too! And here are the general agents who, with their agency associates, are responsible for outstanding service and sales records in Iowa.

For the fine job these men are doing congratulations! . . . from the Equitable Life of Iowa.



## Lists Safeguards For Avoiding Suits

(CONTINUED FROM PAGE 1)

does not construe the law of any other to those states within the jurisdiction of the ninth circuit court of appeals. no application on the mainland of the United States. It is also subject to appeal and can either be reversed or affirmed. Do not gratuitously state that the opinion is wrong. This question is a legal one to be determined by the applicable judges. (Even if the case is affirmed, the holding will apply only

"2. Even though the opinion has no actual effect outside of Hawaii at this state of litigation, we believe that the implications should be considered currently on the theory that excess of a legal one to be determined by the caution in these instances cannot be harmful. Accordingly, you should:

the income tax bracket of the prospective insured is a factor; state affirmatively that you make no representations or have no direct knowledge of what in fact is the insured's tax bracket. In other words, your proposal is illustrative only. The exact tax bracket of the prospective insured involves matters outside of your actual knowledge.

"(b) Advise and urge the prospective insured to consult a competent attorney to pass upon the legal effect of the plan. In other words, affirma-

tively state that you make no legal interpretations of the effect of the law upon the purchase of the insurance in question and that your own representations are merely your best opinion as one competently versed in insurance matters, but not a lawyer.

### Obtain Insured's Statement

"(c) If practical under the circumstances, obtain from the insured, at the time of purchase of the insurance a statement from him to the effect that he has consulted an attorney (not merely an accountant) and that his understanding of the tax effects of the program are not based upon representations made by you.

"(d) Advise further in a written statement by you in any case in which you request that the prospective insured treat the program as confidential, from the standpoint of insurance men, that your reasons for this relate solely to matters of business competition and have no bearing upon the legal (including tax) effect of the program. Certainty as to the legal (and tax) effects of the program is to be obtained from the insured's attorney.

### Keep Documents In Files

"3. Keep whatever documents you develop in support of the above in your files. If convenient, have the prospective insured, by signature, indicate that he has read and understood all of your communications.

"4. Remember, that all of the above is purely precautionary. There is no decision, other than in Hawaii, which has any legal effect whatsoever.

"The entire point of our recommendations is directed at making clear that the prospective insured made up his own mind (through his own intelligence and that of his professional advisers) as to the worth of the program.

### Eiber To Talk On Estate Plans, Law, To N. Y. Agents

Bernard M. Eiber, attorney specializing in estate planning, wills, trusts and business purchase agreements, will discuss, "The Human Factor Behind the Legal Aspects of Estate Planning," before the annual meeting of New York City Life Underwriters Assn. on June 5, at 2:30 p.m. at the Hotel Astor.

A question and answer period will follow Mr. Eiber's talk. There will be no charge for admission, but attendance is restricted to members.

### Forms Consulting Firm

An organization to serve as consultants in home office management practices and procedures, insurance accounting, statistical studies, and actuarial planning has been formed in Indianapolis by Edward J. Peters, formerly with Haight, Davis & Haight, consulting actuaries.

Mr. Peters, an associate of Conference of Actuaries in Public Practice, started in the business with the actuarial department of Fidelity Mutual, and remained there until joining Haight, Davis & Haight. The head of the new consulting firm is also an associate of Life Office Management Assn. and a member of Indianapolis Actuarial Club.

### A Service Guide

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Alabama, Arizona, California, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Texas, Virginia, Washington D. C., and West Virginia.

## Business, Industry Should Aid Cities, Says Bruce Palmer

WASHINGTON—A sound, healthy and progressive local community environment is one of the most valuable assets business and industry can have, H. Bruce Palmer, president of Mutual Benefit Life, said in a speech at the annual meeting of U. S. Chamber of Commerce.

Mr. Palmer was the speaker at the urban development luncheon. "Leadership for Urban Growth" was the topic of discussion. Mr. Palmer is the chairman of the Newark economic development committee, which has spearheaded a resurgence of downtown Newark.

"The relationship of business and industry to the modern city was until recently a discouraging thing, and tempted many in industrial management to look elsewhere for a new environment in which a more promising relationship would be created," Mr. Palmer said. "The movement of industry away from the central city brought with it a growing realization that the billions invested in community services and in fixed municipal plant was an unwarranted waste of human and physical resources.

### A Symbol Of Revitalization

"This country should be forever grateful to the city of Pittsburgh for its stimulating leadership in attacking aggressively the problem of urban decay. The phenomenon of its action program became a symbol of urban revitalization, made even more stimulating because of its tremendous topographical problems. From this beginning we have seen one of the most encouraging developments in American life today—scores of cities undertaking similar programs. This would indicate that perhaps we have stopped committing urbanicide."

Mr. Palmer pointed out that business and industry in many cities in the United States had shown sound leadership in cooperating with other groups in the rejuvenation and redevelopment of cities. He called this good "corporate citizenship," which he defined as encompassing "those many things that a corporation can do in conjunction with its primary purpose of providing goods or services, which will improve the economic, the social and the political atmosphere within which the corporation and its people live, work and progress."

### Must Be No Withdrawal

"Sound economic and social growth of the community is industry's most secure bank account," said Mr. Palmer. "With the complexities of metropolitan life today there can be no withdrawal from corporate responsibility. Business thinking dominates community thought and action; its deportment assures its progress. For any society, or a community, to be great, its leadership must think great."

"The renaissance of our cities today comes mainly from the vision of one or more business leaders in the community. The problems with which the urban developer copes today are vast. They run the full gamut of every social and health problem known to man. Our central cities are crowded with the indigent left by the suburban dweller, left behind to solve problems toward which there often is indifference or a complete lack of knowledgeable approach."

"Such unsolved problems have deep impact on the industrial community—its labor force, its property values

and the general morality of its environment. An investment of time, leadership and money may be far less costly to community industry than plant and service replacement costs in new locations."

Mr. Palmer declared that in tackling the tremendous job of restoration of our cities, leadership is needed to create some form of metropolitan agency. The higher educational system in our country will someday furnish a qualified professional impact that is needed in this field, he said, but today such men are in very short supply. Volunteer workers are doing a surprisingly effective job, he added.

## Ohio Life Agents Elect William Wray President

Ohio Assn. of Life Underwriters has elected William W. Wray, John Hancock, Cincinnati, president. He succeeds Gilbert C. Templeton.

Elected vice-presidents were Cal Grier, Middletown; Samuel S. Loyer, Columbus; Gilbert J. Wellman, Lima, and D. Warren Rollins, Youngstown. Charles H. Campbell, Mansfield, was elected secretary-treasurer.

## Occidental Of Cal. Plans Consumer Advertising Series

Occidental Life of California will launch a sustained international consumer advertising campaign June 21 aimed at gaining greater company name recognition and acquainting prospective buyers with the flexibility of Occidental insurance plans. *Saturday Evening Post*, *Time*, *Wall Street Journal*, and Canada's *Maclean's* magazine will carry the campaign for the balance of 1958 exposing the Occidental name in more than 175 million impressions to a selected American and Canadian audience.

A new term, "Change Easy," has been coined to spell out the meaning of Occidental's flexibility. Each ad in the initial series will carry the headline "Your life changes . . . you need Occidental Change-Easy insurance" to consistently carry the message to the buyer how Occidental insurance can be adapted and expanded as needs arise.

Chosen as the illustration theme of each ad will be a well understood

situation from life that pictures significant change, H. Dixon Trueblood, vice-president in charge of public relations and advertising, said, adding "and it will always be a situation which calls for an insurance application."

The lead-off ad will spotlight the change that occurs when a man marries, and an outline photo of a young newlywed carrying his bride across the threshold will fix the picture.

Subsequent ads in the series will be built around change situations that signal the need for a change in the insurance program. Ads will emphasize how Occidental "Change-Easy" policies dovetail with the insurance a man already owns.

## Bankers Natl. Sales Up

### 29.7% For First Quarter

Bankers National Life reported a 29.7% gain in paid-for ordinary for the first three months. Business amounted to \$11,959,436. Production during March totaled \$3,622,201, up 44.9%. Insurance in force at the end of March amounted to \$495,415,236, up \$14,921,170 during the quarter.

## LIFE WITH PROVIDENT

## INSUREability Insures Sales

Provident's INSUREability provision guarantees the client a right to buy as much as five times the amount of his original purchase—an additional \$125,000, depending upon age—all at standard rates and regardless of his health. INSUREability is a strong extra incentive for the prospect to buy now—and a continuing incentive for him to buy again on his future option dates. This new feature guarantees standard life insurance for the client—and provides "sales insurance" for the life insurance salesman.

 **PROVIDENT LIFE & ACCIDENT INSURANCE COMPANY**  
Chattanooga—Since 1887

LIFE ACCIDENT SICKNESS HOSPITAL SURGICAL MEDICAL

## Panelists Explore Factors Affecting Agency System

(CONTINUED FROM PAGE 5)

will still prefer the old nine fives contract, according to Mr. Reiley. On the other hand, he said, some million-dollar producers prefer to stretch out their commission earnings. As a result, he predicted, there will be three types of commission contracts in use: One concentrating renewals in the early years, one providing the standard nine fives, vested, and a third stretching out the commission payments.

### Eliminate Group Commissions?

*Will there be a trend toward elimination of group commissions on giant group cases and substitution of group fees?*

Mr. Bethea began his answer by reading from the code of ethics adopted by National Assn. of Insurance Commissioners, which states that insurers may regard part of the commission on group as compensation for selling and part for servicing. It is already an established fact in giant group cases, he said, that the com-

mission is split between finder's fee and service fee.

The trend is the same in small group cases, he added. The agent or broker who can both find and service group cases will be paid for both functions, but those who cannot service will be paid only for finding.

Mr. Pitcher commented, "We who write group feel that the agent is worthy of his hire and is not looking for handouts."

*What about monthly payment of premiums?*

Mr. Reiley said it is here now. The American public lives by monthly payments. Monthly payments are made more necessary by the increased average size of policies in package deals. The ultimate result, he commented, may be elimination of premium collections as a function of agency offices.

*With the increasing cost of agency operations, will general agents be forced to obtain additional help from*

*the companies to the extent where the general agent will be replaced by branch offices?*

No, said Mr. Reiley. Increased costs affect the companies, too, and the companies will have to meet these costs.

Mr. Reiley thought the need for capital for agency expansion might be behind the move to branch management in some cases.

*Will the avalanche of "cheaper by the dozen" and other new types of contracts continue to flood the market?*

Mr. Krueger observed that there certainly are a lot of these being sold. It is not a question of actuarial ingenuity, but rather of philosophical approach, he maintained. Materialistic thinking is consistent with gimmicks, he said. He hopes that there will be a change in thinking, however.

"Most of these gimmick policies ignore the concept of living insurance," Mr. Krueger declared.

He said that the approach of some companies to big volume today will lead to high lapse ratios. A disillusioned policyholder is bad for life insurance, he said, and the gimmick approach today is going to result in many disillusioned policyholders.

Mr. Krueger added, however, that "we must recognize the fact that gradation by policy size is with us." The gradation by size principle is inconsistent with special policies.

### Means Of Saving Money?

*Will there be any attempt to bring back life insurance as a means of saving money?*

Mr. Bethea did not see any appreciable increase in sales of life insurance based on the idea of accumulating money in the near future. He pointed out that while 89% of the policies and 82% of the volume of life insurance written in 1948 were on permanent forms, there was a major shift to term insurance prior to 1954. In 1956, he said, only 74% of policies and 48% of volume were in permanent forms.

Two things affect this sort of insurance buying, according to Mr. Bethea. One is the national economy. A fixed dollar investment like permanent life insurance is more attractive when prices are not rising. The other is the attitude of insurers. So long as they base convention qualification and other rewards solely on volume, then agents will tend to sell term.

"If we don't like this trend," Mr.

Bethea continued, "we should remember that one of the most important influences is that agents tend to sell the forms they have been taught to sell."

### What about variable annuities?

Mr. Bethea tackled that question and outlined Prudential's case for that form of contract. None of the other panelists commented.

### Sees No Downtown Decrease

*Will there be an increase in suburban life insurance offices, with a decrease in the downtown offices?*

Mr. Krueger said there will be more suburban offices but this does not mean any depletion in the downtown offices. The market for life insurance in big cities is not decreasing.

Mr. Krueger pointed out that with young prospects just starting out in life, the agent must see them at home, after working hours, whether they live in the city or the suburb. The established man, the big buyer, sees the agent in his office.

*Will there be a big spread in the future between present dividend projections and actual performance?*

Mr. Krueger had some fun with that one, reading a ridiculous set of dividend estimates produced by an unnamed general agent. On the serious side, he said that "dividends have held up pretty well" despite the drastic changes in the business in the past 20 years.

*Do you see any new trends in recruiting, training and supervision?*

Mr. Bethea said higher costs of living have forced increases in amounts paid to new agents, thus requiring a quicker return on the new man's sales efforts. This calls for pre-contract training, he said, more joint-work selling, at least \$100,000 of joint sales, and then more follow-through with coaching.

### Tells Effects Of Grading By Size

*What will be the effect of grading the cost of big policies on the buyer of small policies?*

Mr. Krueger said obviously the small policy must cost more but this will not be unfair. Before grading by size was introduced, he said, the small purchaser was subsidized by the large.

Moderator Pitcher wound up the panel discussion with the declaration that "individual service by the individual agent is the key to the future of this business."

The final Friday afternoon speaker was Desmond J. Lizotte of Massachusetts Mutual, who described the plan which produced more than \$10 million of sales for his Newark agency

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American Progressive's popular low-cost

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(issued through school system)

PAYS BENEFITS OF UP TO

<b>\$3,000</b>	<b>\$7,500</b>	<b>\$1,500</b>
For All Medical Expense (Even Dental Treatment*) For Each Accident	For Loss of Limbs or Sight	For Accidental Death

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EXCEPTIONS: Warfare, bacterial infections, sickness, disease, cost of eye-glasses or prescriptions therefor, suicide, hernia and any loss covered by other insurance.

This is the famous AMERICAN PROGRESSIVE policy that covers student for WHOLE CALENDAR YEAR including summer session . . . on school premises and grounds on regular school days under school supervision . . . on stipulated school-sponsored activities . . . athletic contests or physical education except football (not inter-scholastic sports in N. Y.).

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May 31, 1958

## LIFE INSURANCE EDITION

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last year. His "equalizer" plan combines term and ordinary life and loans to provide a plan with cash values costing no more than term insurance in the long run.

The first Saturday morning speaker was 2nd Vice-president Howard A. Austin of Prudential. He discussed agency management problems.

Tell recruits the truth, he advised. The new agent's wife should know the story on his compensation, he said. The reason why men change to the life insurance business is an important clue to their prospects of success, he noted.

Men who go into life insurance because they are attracted to something about it they like are more likely to succeed than those who came in because they didn't like their last job.

## Failures Aren't Good Business

In the post-selection area, Mr. Austin said, "we're failing down badly because we're not failing our failures fast enough." It's just good business not to have failures or near-failures around an agency, he observed. It is hard to hold a good recruit in such an atmosphere.

Describing the problem of getting rid of the failures, Mr. Austin observed, "some have called it 'finding a man happiness in some other endeavor,' but I call it merely 'helping him out.'

Mr. Austin observed that while program selling produces fewer lapses than package sales with higher-income groups, the opposite seems to be true with low-income groups.

President W. Rankin Furey of Berkshire Life opened the two-day conference, which drew an attendance of more than 150. Both Mr. Furey and Senior Vice-president Joseph L. Beesley of Equitable Society, the final speaker, centered on inflation as the No. 1 evil confronting the life insurance business.

Mr. Furey declared that there can be no compromise with inflation.

"We cannot depart from the guaranteed income fixed dollar," he said.

Life insurance men, he added, are fighting for the individual to remain a partner, with government and his employer, in providing his own security, rather than turning into a dependent.

Life insurance will not survive, Mr. Furey warned, if it devotes its attention to the upper 15% of the market. He condemned "gimmicks" in life insurance selling, saying that such devices as the bank loan plan are not the answer to the need of the public.

"Our answer is not in merchandise; it is in merchandising," Mr. Furey declared.

Managing Director Lester O. Schriver of National Assn. of Life Underwriters keynoted the meeting by emphasizing the responsibility of the general agent and manager in occupying the most strategic position in the business.

Some life companies are "organized for no good purpose," Mr. Schriver commented, saying that the number of such companies is very small. He added, "I have nothing but contempt for an organization that calls itself a life insurance company, when it is organized for the purpose of pushing stock."

## Kept U. S. From Chaos

The institution of life insurance kept the United States from economic chaos in the 10 years beginning with 1929, Mr. Schriver asserted. During those 10 years, he said, "the legal reserve life insurance companies poured into the economic blood stream of this nation more than \$6 million a day, seven days a week, for 10 years. That amounted to \$25 billion, or more than all the money that was spent on pumping and similar ventures.

"During those 10 years of economic distress, the cash value of your life insurance was the only thing that you owned that increased in value every single day."

Edmund L. Zalinski, executive vice-president of Life of North America also spoke. Mr. Zalinski's talk was reported in the May 17 issue.

## Variable Annuity Opinion Routs SEC

(CONTINUED FROM PAGE 1)

ment policy or annuity contract or optional annuity contract, issued by a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any state or territory of the United States or the District of Columbia."

They point to section 3(c)(3) of the investment company act of 1940, 15 U.S.C. §80a-3(c)(3), which says that an insurance company is not an investment company within the meaning of the act, and to section 2(a)(17) of that act, 15 U.S.C. §80a-2(a)(17) which says:

"(a) When used in this title, unless the context otherwise requires—

"... (17) 'Insurance company' means a company which is organized as an insurance company, whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and which is subject to supervision by the insur-

ance commissioner or a similar official or agency of a state; or any receiver or similar official or any liquidating agent for such a company, in his capacity as such."

They point to the McCarran-Ferguson insurance regulation act of March 9, 1945, 59 Stat. 33; 15 U.S.C. §§1011-1015, which says:

"... That the Congress hereby declares that the continued regulation and taxation by the several states of the business of insurance is in the public interest, and that silence on the part of the Congress shall not be construed to impose any barrier to the regulation or taxation of such business by the several states.

"Sec. 2. (a) The business of insurance, and every person engaged therein, shall be subject to the laws of the several states which relate to the regulation or taxation of such business.

"(b) No act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any state



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for the purpose of regulating the business of insurance, or which imposes a fee or tax upon such business, unless such act specifically relates to the business of insurance: *Provided*, That after Jan. 1, 1948, the act of July 2, 1890, as amended, known as the Sherman act, and the act of Oct. 15, 1914, as amended, known as the Clayton act, and the act of Sept. 26, 1914, known as the Federal Trade Commission act, as amended, shall be applicable to the business of insurance to the extent that such business is not regulated by state law.

"Sec. 5. As used in this act, the term "state" includes the several states, Alaska, Hawaii, Puerto Rico, and the District of Columbia."

#### Only Part Of Total

Although VALIC sells what are undoubtedly life insurance contracts, they are tied in with its 'annuity' contracts, and are a small part of its total business. If its 'annuity' contracts are not annuity contracts within the meaning of the word annuity in the securities act of 1933, and within the contemplated business of insurance, as that word is used in the investment company act and the McCarran-Ferguson act, the "annuity" label which VALIC places upon its contracts will not avail it.

We lay aside the life insurance feature of the policies, and discuss the annuity feature. In fact, as we understand it, if the applicant for an annuity policy is insurable, for life insurance purposes, he must take at least a five-year term life insurance policy. That seems to us to be irrelevant to the question of the nature of the predominant annuity feature of the policy. We will therefore discuss a naked deferred annuity policy such as would be issued by VALIC to one uninsurable for life insurance purposes.

#### Agrees To Pay Fixed Sum

The policyholder agrees to pay a fixed sum of money per year for each year until he reaches the age when his deferred annuity will begin to pay out. A considerable part of what he pays for the first year, and a smaller part of what he pays thereafter are taken by the company for selling and administrative expense and profit. The rest is invested, at the discretion of the company, in securities which, it is hoped, will produce an income or show a capital gain or both. The policyholder is given periodic statements showing what the company has bought with what he and the other policyholders have paid in. These are statements of his "accumulation units." If, for example, the common stocks which the company held at the time the policyholder paid his annual premium were cheap, he would acquire, for the dollars he paid in, a larger number of "accumulation units," since the price or value of the "accumulation units" would be determined by dividing the value of the company's holdings by the number of the units. If thereafter the value of the company's holdings increased, the policyholder would still have the same number of units, but the value of each unit would be higher. If the value of the holdings decreased, the result would, of course, be the opposite.

Throughout the paying-in period, the value of the policyholders' accumulations would fluctuate with the price of the securities in which the company invested its funds. The policyholder would hope that the long run trend of the prices would be upward. If so, "accumulation units" which he acquired in the early years

87

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for \$1 might be worth \$1.50 or \$2 by the time his deferred annuity came due.

#### No More "Accumulation Units"

When the time comes for the company to begin to pay the deferred annuity, the policyholder acquires no more "accumulation units" since he will pay no more premiums. The number of "accumulation units" which he has acquired during the years of his payment of premiums will be multiplied by the then value of an accumulation unit, and that dollar amount will be the amount upon which his annuity will be computed. Using the mortality table appropriate to his age and sex, and assuming that 3½% interest can be earned upon the funds of the company until they are paid out, the dollar amount, per month, of his annuity is determined, and he is paid that amount for one month. The payments thereafter are determined according to the success of the company with its investments, and may be smaller or larger than the first month's payment. If the value of the "accumulation units," the number of which was fixed when the premium payments stopped increases, the annuity payments will increase at that time to what they would have been if the units had had that value at the time the first month's annuity had been computed.

#### Arrangement Is Novel

The arrangement is, of course, novel. It has been invented in an attempt to obviate the lack of reality of the traditional life insurance and annuity policy in relation to the value of the dollar. Annuity policies bought to provide a living in his latter years for the policyholder annuitant, and life insurance policies bought to provide for the families of deceased policyholders have proved inadequate because of the decline of the value of the dollar in terms of purchasing power. Persons who have paid for life insurance or annuities have wished that they had bought, instead, tangible things or equities which would have, or might have, kept pace with the inflation of prices. There was room and need for experimentation in an effort to meet this serious problem. The contracts or "policies" offered by VALIC are an experiment in that direction. The question in this litigation is whether these contracts are "insurance" contracts, within the meaning of the statutes quoted above.

#### Superintendents Issue Licenses

The superintendent of insurance of the District of Columbia, after due inquiry, issued to VALIC a certificate of authority "to transact within the District of Columbia the business of life insurance and variable annuities." Insurance commissioners of three other states have issued similar licenses. The opinion of these officials, charged with the task of careful supervision of the business of insurance to protect the public from imposition, that the business of VALIC is the business of insurance, is important.

Elements of similarity between the "variable annuity" here in question and the traditional annuity may be noted. Both provide that the policyholder may elect at what time between certain stated ages, such as 50 and 70, the annuity payments are to begin. Both provide that the policyholder may cash in the value of his annuity before annuity payments begin. Both provide a loan value for the annuity contract. Both provide for the payment to beneficiaries in case of the death of the annuitant before annuity

payments begin. Both provide that if the policyholder ceases paying premiums, a reduced annuity is nevertheless acquired for the payments he has made. Both provide options whereby payments may continue to another beneficiary after the death of the principal annuitant, and other options. Both have provisions making the annuity payments exempt from the claims of creditors.

#### Resembles Conventional Policy

It is apparent that the VALIC contract bears many resemblances to a conventional annuity policy. The appellants say that these resemblances are superficial; that the identifying quality of insurance is risk-shifting, and that in the VALIC contracts the policyholder bears his own risk, the risk that the company's investments of his premiums will increase or decrease in value. But perhaps the most important risk that the purchaser desires to shift when he buys an annuity is the risk that he will live longer than his funds will last.

If everyone died on the day set for him by the mortality tables, there would be no point in paying an insurance company for doling out one's funds. A savings account, or government or municipal or good corporate bonds, or a simple trust would do as well. VALIC, by the fact of issuing an annuity policy, does assume the risk of when the annuitant will die. If it does not bear the risk itself, it provides the machinery whereby the risk is shifted from the individual to the group of policyholders.

#### May Lose Savings

The appellants urge that VALIC policyholders, like investors in investment companies, may lose their savings and ultimately fail to receive the protection which they hoped to buy when they paid their premiums. That fact seems to us to be inherent in the nature of this experiment in annuity contracts. Holders of traditional annuity policies in Germany lost all their protection in the inflation of the '20s, and in France nearly all their protection in the post-war inflation. We have already adverted to the situation in this country. Experience in England has been similar.

#### Responsibility Still With States

The statutes which we have quoted above show an unmistakable determination on the part of Congress to leave the insurance business in the control of the states until Congress should in plain terms exert its power over some or all aspects of it. The appellants say that, by definition, the business of the appellees is not insurance. We find no such definition. The definitions in the securities act and the investment company act indicate that if the insurance commissioner of a state subjects the business to his supervision, it is the business of insurance. The VALIC contracts have many qualities of the traditional business of insurance. They depart from the tradition only in their attempt to solve a problem badly in need of solution. Unless we confine insurance, by definition, to what has actually been done in the past under the name of insurance, and invent a new and distinctive name for this new business which so greatly resembles insurance, we should not contradict the insurance commissioners. The new business will need the expert and watchful supervision of these experts in insurance. We think the statutes lodge the responsibility with them.

The judgment of the district court is affirmed.

## AGENCY VICE PRESIDENT

FOR

## VARIABLE ANNUITY LIFE INSURANCE COMPANY

Now that the log jam has been broken we are ready to roll! We have an unusual opportunity for a man of proven ability, to secure a proprietary interest in the "first major development in the life insurance business since group insurance".\*

### Contact

**Robert A. Crichton, President**

**VALIC**

**1832 M Street, N. W.**

**Washington 6, D. C.**

\* Joseph B. Maclean

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## Says Association Group Sidesteps Law

(CONTINUED FROM PAGE 1)

law" in one of three ways, Mr. Desmon explained: by offering franchise group term; through association group written under trusted plans or by outside of New York state, and all New York state participants insured in a domestic company, all of which are permitted under New York law.

They are legal in a technical sense, Mr. Desmon said, "even though in most instances a policy form results which has been disapproved by the insurance department when written in a normal manner."

As proof that this is a real and immediate problem, Mr. Desmon cited several plans which have already been written, or are about to be written.

Among them were the American Legion, American Radiological Society, New York Real Estate Appraisers Guild, New York Home Builders Assn., Potato Growers Assn. of Northern New York, Westchester County Bar Assn. and others.

The American Medical Assn. and the New York State Bar Assn., Mr. Desmon said, were among those associations currently considering plans, all of which provide sizable amounts of individual coverage, some up to \$20,000 on each life. In addition, some professional men are able to obtain insurance in more than one association.

Mr. Desmon asked his audience whether a drive for volume forced companies into this market, or is it because some leading company executives honestly and sincerely believe that this mass selling approach is a

trend which must be recognized and satisfied.

Mr. Desmon also asked, "Is it possible that some of the New York state professional associations were inspired to seek this type of coverage by remarks delivered before them by one of our own New York state deputy superintendents of insurance, who said in effect that their rights as citizens were being violated by the present statutory restrictions; that they should seek legislation to correct this situation, inferring that this was cheap life insurance and something they should have?"

Mr. Desmon did not identify the deputy superintendent in question.

Mr. Desmon also quoted recent statements of two life insurance company presidents on association group term plans. Here again, Mr. Desmon did not identify the men involved.

The first quotation was, "The American public, all segments of it, are under insured. Actually, until the life underwriters can show that the market is glutted, and that people are carrying adequate insurance, I do not see how they (the life underwriters) can oppose any insurance plan which has proper safeguards for the buyer and the companies, even though I do recognize that only a small number of the underwriters themselves will participate directly in the benefits of association group."

The second statement quoted by Mr. Desmon, and attributed to a life company president was, "Each case would

**Mutual Trust**  
Life's new home office building on the northeast corner of Wacker drive and Monroe street in Chicago which was dedicated this week. The walls of the six-story building are of two shades of blue porcelain-enamel steel, contrasted with the gold tone of glass fiber drapes.



serve as a door opener for the personal services of a career field underwriter. We grant that group life insurance is not and never can be a substitute for ordinary life insurance with cash values, and with the services of the field underwriter addressed to individual problems. It appears, nevertheless, to be justifiable as a term life insurance product if with proper recognition of its limitations, it supplies comparable protection at a lesser cost than other term products available and serves to pave the way for solicitation of additional ordinary coverage among the individuals in the group."

Mr. Desmon answered both statements in detail and said that term insurance is "the most expensive form of life insurance a man can buy. We know from our years of experience in the field that most people are not satisfied with their term insurance as they grow older and realize that no cash reserves have been created.

### Life Men Will Be Blamed

"We know that when the insurance under association group decreases as the individual insureds get older, while the premium remains level, these people will not be satisfied. We know that the life underwriters and the companies will be blamed for the unsoundness of these plans."

Mr. Desmon said that he did not believe individuals in the associations would really want this type of insurance if they knew all its limitations.

He emphatically scored the claim for lower costs for association term.

"I cannot agree that association group term can be supplied at a lesser cost than other term policies available. In New York state it is a violation to pay a dividend or adjust a rate on a franchise group plan based upon the experience of that group. Where

are the hoped-for savings going to come from on these plans? Not from commissions.

"The home offices tell us the services of an agent are needed to sell franchise plans because the insured are frequently distributed over such a wide geographical area and to make the sale, the agent must be compensated adequately.

"The difference in the commissions paid on franchise plans and individual term policy plans does not explain the proposed savings offered. Will the savings come from mortality? I doubt it. How is it possible for the mortality from a guaranteed-issued group to be less than the mortality from a medically-examined group?

"Young men are not going to continue to subscribe to these plans if they really understand what they are getting. We can only see the cost going up and up. We hear rumblings already of rate adjustments upward in some cases now in force. When the cost rises, who is going to pay for it? Not the employer, but the individual caught in a web from which he cannot extricate himself."

Delegates to the annual association meeting named a special committee to make a thorough study of "step licens-

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for Director, Department of Retirement, Safety and Health of the Mid-Western Accident and Health Insurance organization headquartered in Washington, D. C. and serving over 900 member organizations with programs in pension and group life, accident and health, job training and safety.

Duties include directing staff of 14, preparing annual budget, handling technical correspondence as well as expediting service requests, effective program promotion by mail or addressing conferences and coordinating department with three other department services.

Permanent position with opportunity to grow participation in the affairs of the organization. Air fare to one annual meeting, ten regional meetings and conferences. College degree preferred with graduate work in business administration, insurance or insurance representative and executive helpful with emphasis in group and retirement programs, five years of which in management positions calling for technical as well as sales ability. \$35,000. State General Manager, National Rural Electric Cooperative Association, 2000 Florida Avenue, N. W., Washington 5, D. C.

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### VICE PRESIDENT AND GENERAL MANAGER Wanted

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Must have field experience. Option to purchase stock over period years. All applications kept confidential. Our employees know about this. Address Box A-67, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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Home Office Group Underwriting Department for Mid-Western Accident and Health and Life Insurance Company. Opportunity for future development. Replies should state insurance experience, age and salary expected. Box A-61, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago, Illinois.

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ing" of new agents. The committee, which has instructions to report back with recommendations to the fall delegate meeting later this year, consists of the association's seven regional vice-presidents listed earlier in this article. Step licensing would require an agent to demonstrate greater proficiency after a probationary period or else get out of the business.

Special counsel of the association, Russell E. Newkirk, reported to delegates that the association's application for a ruling on the applicability of the unincorporated business tax to life insurance agents is now before the full state tax commission. A decision is expected soon.

Mr. Newkirk pointed out that this tax is only one phase of the over-all question of life agent compensation, whether commission or otherwise. The association's move for a ruling represents a historic step forward in resolving tax aspects of the problem for all life agents, he declared.

The association made its formal request to the state tax commission for a ruling on the unincorporated business tax in December of 1956. Almost without exception, for 22 years career life insurance agents were not subject to this tax. Then, when the present state administration took office, hundreds of life agents, though having no management responsibilities, were assessed the tax.

## Push Broader View In Sales, Palmer Tells Supervisors

President H. Bruce Palmer of Mutual Benefit Life, in his talk before New York City Life Supervisors Assn., said that agents, in their sales approach, should take a broader perspective regarding their product and its contribution to the nation's economy. Without neglecting to educate the prospect in the proper use of the insurance product and the common desire and need for financial security, Mr. Palmer said that agents would be wise to stress insurance as an important factor in the stability and growth of the free enterprise system.

"We are important administrators of a people's capitalism," Mr. Palmer pointed out. "The understanding of the system and how it affects the daily lives of our citizens is a much overlooked opportunity in our sales process. There is a revolving goodness 'aspect' in our product which potentially has great strength in our sales effort. The protection aspects of life insurance coverage provide future buying power. The equity aspects provide the unexcelled comforts of our way of life, today's capital for business and industry and through that usage the dual values of these dollars to our policyholders. In 27 years in this business I have never seen a training course that encompasses this potentially stronger argument for the use of insurance."

Public judgment of an agent's worth, Mr. Palmer cautioned, will continue to depend largely on how adequately he interprets need and how intelligently he underwrites the wants of his prospect.

"If our sales are gimmick sales, we will eventually lose public confidence and reduce the persistency of our business for lack of motivation," said Mr. Palmer.

H. H. Moore of the Eubank & Henderson agency of Prudential was named "Supervisor of the Year" by the past presidents of New York City Life

## Pep Talk Sparks Illinois Agents Annual

(CONTINUED FROM PAGE 2)

and he's a fool not to seek this, Mr. Granum concluded.

The annual meeting opened with a note of outrage stemming from what was described as an overwhelming waste of taxpayers' dollars in government spending. Joy M. Luidens, state secretary of Hoover Report division of Taxpayers' Federation of Illinois, reported that the average taxpayer contributes \$1,600 a year in taxes and still owes \$7,000. Meanwhile, the armed services have eight years of canned hamburgers on hand and there is a gallon of catsup to flavor every hamburger.

Recommendations made by the Hoover Report, Miss Luidens said, would save \$5 billion—about what the U. S. government exacts from Illinois. In making a plea for better government at less cost, she appealed to her listeners to wire their congressmen to support the defense department reorganization bill in Congress—HR 12541.

The federal government came in for another lacing—this time for red tape—by Lester O. Schriver, managing director of National Assn. of Life Underwriters. Reporting on progress to date in NALU's proposed headquarters in Washington, Mr. Schriver said so many government agencies were involved in the transfer of deeds and documents of the NALU property that it was taking over a year to complete the transaction. "If it were handled by a private concern, it could have been taken care of in one afternoon," he declared.

James T. Kenny, chairman of the laws and legislation committee, reported that the committee had tabled action on a temporary license bill and had agreed to meet from time to time to see if it could pinpoint abuses to legislators in a future session. The legislature previously had defeated a temporary licensing bill.

Also to be placed under scrutiny was legislation regarding jumbo group.

Mr. Kenny reported that double dollar plans initiated by some Chicago banks were "dying a slow death." Because of unsatisfactory experience, the banks had asked for evidence of insurability, and Director Gerber had denied this request under the present group code.

The final action taken by the committee was a move to sponsor a license bill which would put fraternal agents under the same regulations as ordinary life agents.

As a spur to increase membership, another trophy was inaugurated. The award, a bell presented for William E. North, New York Life, Evanston, and a NALU trustee, will go to the winning association in the winning region for the largest increase in membership.

Supervisors Assn. E. B. Eichengreen, Prudential, chairman of the awards committee, made the presentation of an inscribed sterling silver tray.

Mr. Eichengreen cited Mr. Moore's 36 years of service to New York City brokers, his activities in the supervisors association, the fact that he is a CLU, and his participation in community, civic and religious activities.

### Brunson With Miss. Co.

G. H. Brunson, shown as being with Standard Life of Indiana in the list of Million Dollar Round Table qualifiers in the May 3 issue, is actually with Standard Life of Jackson, Miss.

agent at Chicago since 1937 and in the life insurance business since 1922, is retiring from management work but will maintain offices adjoining the agency and continue to serve his individual and corporate clients. He is one of the first CLUs, and a qualifying and life member and a past chairman of the Million Dollar Round Table. He has also served as president of the Chicago CLU chapter, trustee of American College, president of Chicago Life Underwriters Assn., and Chicago Life Insurance & Trust Council, and president of the company's CLU association.

Mr. Wilson started in insurance with Connecticut general in 1932 and became manager at Oklahoma City for General American Life, leaving in 1944 to become manager of a new agency of Mutual Benefit Life at Jacksonville, Fla. Going to the home office as regional supervisor of agencies, he organized the field management training program. He became general agent at Seattle in 1948, after a year as assistant superintendent of agencies. He raised the agency's production from \$1 million a year to a rate of \$6 million and has averaged half a million in personal production while in Seattle.

### Wilson Named Mutual Benefit GA At Chicago

Mutual Benefit Life has appointed John O. Wilson, its Seattle general



J. O. Wilson



Paul W. Cook

agent, to succeed Paul W. Cook as general agent in Chicago, effective July 1.

Mr. Cook, who has been general

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FRED B. HENRY

Fred Henry is our General Agent in the small northwest Georgia city of LaFayette (population 4884). A Franklinit since December 7, 1947, he sold 103 cases last year, only a couple of which were outside the city of LaFayette.

1957 was his best year with cash earnings of \$25,131.26.



## Ten very happy Franklin years . . .

LaFayette, Georgia  
March 18, 1958

Mr. Francis J. O'Brien, Vice President  
Franklin Life Insurance Company  
Springfield, Illinois

Dear O'B:

You are correct in that I have just recently completed ten years with the Franklin Life. These have been ten very happy and richly rewarding years . . . actually beyond my fondest expectations! The last ten years with the Franklin have been far more remunerative than the ten years of life insurance work immediately preceding my association with the Franklin. I am truly amazed to find my income almost five times as great.

The story continues to grow more wonderful. The magic and appeal of our wonderful exclusives becomes more apparent every day. These incomparable contracts enabled me to qualify for our unique "60 Club," then our newly established "Key Club," and in 1957 the highly coveted Million Dollar Round Table . . . 103 sales for over \$1,000,000 with 85 of them Franklin exclusives.

O'B, ours is a great business, and to me the Franklin is the greatest. I will be forever grateful, and enthusiastically represent the Franklin with pride.

Yours sincerely,

Fred B. Henry

*An agent cannot long travel at a faster gait than the company he represents!*



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CHAS. E. BECKER, PRESIDENT

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